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July 10, 1955

MEMORANDUM

TO: THE Executive Committee Members

FROM: Chairman EC

SUBJECT: "Political Significance of Free World Trade Controls to the Sink-Soviet Bloc"

At a recent meeting of the CFEP Steering Group, Captain Thorp, Defense Member, suggested that the subject study be undertaken. Admiral DeLany agreed that EDAC would entertain this suggestion and referred the matter to the EC.

Attached for each EC member is a copy of a draft outline for this study which has been submitted by Mr. Nichols, Defense Member.

It is suggested that time be allowed for study within appropriate EDAC agencies, that suggestions for appropriate changes or alterations be prepared and that this matter be brought up on the EC agenda at a convenient time.

Members are requested to notify the Executive Secretary when they are prepared for this discussion.

Attachment

cc: State <sup>25X1A9a</sup> - Goodkind  
CIA - [REDACTED]  
Commerce - George  
Defense - Nichols  
MDAC - Kramer

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July 14, 1955

Draft Outline for a Study on

"Political Significance of Free World Trade  
Controls to the Sino-Soviet Bloc"

I. Basic Factors:

- A. Although trade controls are primarily economic measures, it must be realized that in the application of these measures there are usually political and psychological overtones of varying degrees of intensity.
- B. Assessments of the political significance of the effects outlined below should be made in terms of both
  - 1) the current selective type trade controls aimed primarily at the war potential sector of the Communist bloc economies;
  - 2) a broader type program aimed either at the total economy of the bloc, or at a given sector or sectors, to obtain maximum inhibition of <sup>n</sup> growth rates.<sub>A</sub>

II. Effects upon political stability of the Sino-Soviet bloc:

- A. Effects within a single bloc country: e.g., do the controls
  - 1) compel the bloc countries to try to compensate by autarchic measures in those particular areas where Free World denial of goods and services is effective?
  - 2) disrupt Soviet state planning?
  - 3) contribute to failure of bloc countries to benefit from Free World advances in broad fields of science and technology?

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- 4) restrict the flexibility and possibly influence the basic pattern of the bloc's mobilization base?

B. Effects upon relationships between the various member states of the Bloc: e.g., do the controls

- 1) maximize strains and stresses by compelling institution of priorities for the allocation of scarce goods and services?
- 2) cause the European satellites to be turned by Moscow from traditional Free World markets to satisfy overriding bloc requirements?
- 3) require policing efforts among bloc partners to insure compliance with intra-bloc priority allocation systems?

III. Effects upon international relations between Sino-Soviet and Free World nations:

A. Do Free World trade controls

- 1) limit the bloc's freedom of action under peacetime conditions and in preparation for war?
- 2) constitute a major bargaining point for Free World negotiators, particularly for negotiations involving economic requirements or the political prestige of Communist China?
- 3) call attention to the advantages of the free exchange of goods and persons enjoyed by non-communist countries?
- 4) emphasize the decreasing dependence of Free World economies upon trade with the bloc?

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